



***Bureau of Public Health Statistics***  
***Arizona Department of Health Services***

150 North 18<sup>th</sup> Ave, Suite 550  
Phoenix, Arizona 85007-3248  
(602) 542-8064  
(602) 542-2940 FAX  
Internet: [www.hs.state.az.us/plan/crr/index.htm](http://www.hs.state.az.us/plan/crr/index.htm)

JANET NAPOLITANO, GOVERNOR  
SUSAN GERARD, DIRECTOR

**Date:** April 16, 2008

**To:** All Users of Public Release Arizona Hospital Inpatient Discharge Data

**From:** Donna Cox, Discharge Data Manager, Bureau of Public Health Statistics

**Subject:** Medicare Severity-Adjusted Diagnosis Related Groups implemented October 1, 2007

As you are probably aware, the Centers for Medicare and Medicare Services (CMS) routinely implement changes to the Diagnosis Related Group codes (DRGs) each year on October 1, the beginning of the Federal fiscal year.

In preceding years the changes to the DRGs have consisted of code modifications and the addition of some new codes. However, on October 1, 2007, the Medicare Severity-Adjusted Diagnosis Related Group codes (MS-DRGs) were introduced. These codes were not a change to the existing code set, but were instead a completely new code scheme.

The inpatient hospital discharge data records released by the Arizona Department of Health Services contain the DRG used by the hospital for billing. However, implementation of the MS-DRG is not consistent across all hospitals. Some hospitals are using the MS-DRGs for all patients; some are using it for specified payers; some for Medicare patients only; and some hospitals are not using them at all.

The payer grouping reported in the discharge data does not have the specificity necessary to allow identification of specific individual payers. Additionally, there is no way in the reporting layout to provide an indicator for DRG version on each record.

Therefore, the impact of the new MS-DRG is that for discharges occurring during the last quarter of 2007 (October 1 through December 31, 2007) the DRG variable may contain a version 24 DRG or a version 25 MS-DRG. If you utilize the DRG variable, please be advised that for accuracy, you should regroup the data utilizing a grouper of your choice.

This DRG issue has been resolved for the 2008 data layout and will not affect records for discharges January 1, 2008 and later.